



# भारत का राजपत्र

## The Gazette of India

असाधारण

EXTRAORDINARY

भाग II — खण्ड 2

PART II — Section 2

प्राधिकार से प्रकाशित

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।  
Separate paging is given to this Part in order that it may be filed as a separate compilation.

### RAJYA SABHA

The following Bills were introduced in the Rajya Sabha on the 6th December, 2004:—

I

BILL No. XXXI OF 2004

*A Bill to repeal the Displaced Persons (claims) Act, 1950 and certain other enactments.*

BE it enacted by Parliament in the Fifty-fifth Year of the Republic of India as follows:—

1. This Act may be called the Displaced Persons Claims and other Laws Repeal Act, 2004. Short title.

2. The enactments specified in the Schedule are hereby repealed.

Repeal of  
enactments.

## THE SCHEDULE

(See section 2)

## REPEAL OF ENACTMENTS

Sl. No.	Name of the Act	Year	Act No.
1.	The Administration of Evacuee Property Act	1950	31
2.	The Displaced Persons (Claims) Act	1950	44
3.	The Evacuee Interest (Separation) Act	1951	64
4.	The Displaced Persons (Claims) Supplementary Act	1954	12
5.	The Displaced Persons (Compensation and Rehabilitation) Act	1954	44

### STATEMENT OF OBJECTS AND REASONS

The Displaced Persons Claims Act, 1950, the Administration of Evacuee Property Act, 1950, the Evacuee Interest (Separation) Act, 1951, the Displaced Persons (Claims) Supplementary Act, 1954 and the Displaced Persons (Compensation and Rehabilitation) Act, 1954 were enacted, *inter alia*, to make provisions for the registration and verification of claims of displaced persons in respect of immovable property in Pakistan, the administration of evacuee property, providing for the separation of the interests of evacuees from those of other persons in property in which such other persons are also interested, the payment of compensation and rehabilitation grant to displaced persons and the disposal of certain proceedings pending under the Displaced Persons (Claims) Act, 1950.

2. The major works of claims compensation and rehabilitation more or less had been completed by the year end of 1970. Subsequently, the erstwhile Ministry of Labour and Rehabilitation (Department of Rehabilitation) which was responsible for the aforesaid rehabilitation work also concluded that only a limited number of acquired evacuee urban and agricultural lands or properties had remained to be disposed of and the expenditure which was being incurred for the purpose was out of proportion to the volume of work and the receipts from their disposal. To effect economy in expenditure in the management of the evacuee properties, the Central Government made administrative and financial arrangements with the concerned State Government for the disposal of the residuary assets in the manner consistent with the purposes of the aforesaid Acts and transferred the surplus evacuee properties to the State Governments in various package deals. This arrangement virtually put an end to the ownership of the Central Government on the undisposed evacuee properties.

3. Subsequent to the transfer of the ownership of the Central Government on the undisposed evacuee properties to the State Governments concerned, it was reported by the State Governments that a large number of claims under the aforesaid Acts are being continued to be filed in the various courts under the aforesaid Acts. It has further been brought to the notice of the Central Government that a number of persons unconnected with the claimants posing as their legal heirs are presenting repeated demands for lands. Examinations have revealed that in most of such cases the claimants under the temptation to grab more lands, have managed to obtain bogus and excess allotments. It therefore, had become difficult for the State Governments to retrieve the Government lands and properties worth crores of rupees from the hands of unscrupulous persons.

4. In view of above, the concerned State Governments, therefore, recommended to repeal the above Acts. Consequently, after consulting the State Governments, the Central Government constituted a Core Group on the 7th February, 2003 to examine the proposal to repeal of the aforesaid Acts. The said Core Group in March, 2003 recommended repeal of the aforesaid Acts and rules made thereunder. The Central Government decided to accept the recommendations of the concerned State Governments and the Core Group to repeal the above Acts.

5. The Bill seeks to achieve the above objectives.

SHIVRAJ V. PATIL

## II

Bill No. XXXII of 2004

*A Bill to provide for regulation of credit information companies and to facilitate efficient distribution of credit and for matters connected therewith or incidental thereto.*

Be it enacted by Parliament in the Fifty-fifth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title,  
extent and  
commencement.

1. (1) This Act may be called the Credit Information Companies (Regulation) Act, 2004.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

Provided that different dates may be appointed for different provisions of this Act, and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. In this Act, unless the context otherwise requires,—

Definitions.

(a) "board" means the Board of directors of a credit information company;

(b) "borrower" means any person who has been granted loan or any other credit facility by a credit institution and includes a client of a credit institution;

(c) "client" includes—

(i) a guarantor or a person who proposes to give guarantee or security for a borrower of a credit institution; or

(ii) a person—

(A) who has obtained or seeks to obtain financial assistance from a credit institution, by way of loans, advances, hire purchase, leasing facility, letter of credit, guarantee facility, venture capital assistance or by way of credit cards or in any other form or manner;

(B) who has raised or seeks to raise money by issue of security as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956, or by issue of commercial paper, depository receipt or any other instrument;

(C) whose financial standing has been assessed or is proposed to be assessed by a credit institution or any other person or institution as may, by notification, be directed by the Reserve Bank;

(d) "credit information" means any information relating to—

(i) the amounts and the nature of loans or advances, amounts outstanding under credit cards and other credit facilities granted or to be granted, by a credit institution to any borrower;

(ii) the nature of security taken or proposed to be taken by a credit institution from any borrower for credit facilities granted or proposed to be granted to him;

(iii) the guarantee furnished or any other non-fund based facility granted or proposed to be granted by a credit institution for any of its borrowers;

(iv) the credit worthiness of any borrower of a credit institution;

(v) any other matter which the Reserve Bank may, consider necessary for inclusion in the credit information to be collected and maintained by credit information companies, and, specify, by notification, in this behalf;

(e) "credit information company" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (2) of section 5;

(f) "credit institution" means a banking company and includes—

(i) a corresponding new bank, the State Bank of India, a subsidiary bank, a co-operative bank, the National Bank and regional rural bank;

(ii) a non-banking financial company as defined under clause (f) of section 45-I of the Reserve Bank of India Act, 1934;

(iii) a public financial institution referred to in section 4A of the Companies Act, 1956;

(iv) the financial corporation established by a State under section 3 of the State Financial Corporation Act, 1951;

(v) the housing finance institution referred to in clause (d) of section 2 of the National Housing Bank Act, 1987;

42 of 1956.

1 of 1956.

2 of 1934.

1 of 1956.

63 of 1951.

53 of 1987.

(vi) the companies engaged in the business of credit cards and other similar cards and companies dealing with distribution of credit in any other manner;

(vii) any other institution which the Reserve Bank may specify, from time to time, for the purposes of this clause;

(g) "credit scoring" means a system which enables a credit institution to assess the credit worthiness and capacity of a borrower to repay his loan and advances and discharge his other obligations in respect of credit facility availed or to be availed by him;

(h) "notification" means a notification published in the Official Gazette of India;

(i) "prescribed" means prescribed by rules made under this Act;

(j) "regulations" means regulations made by the Reserve Bank under this Act;

(k) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934;

2 of 1934.

(l) "specified user" means any credit institution, credit information company being a member under sub-section (3) of section 15, and includes such other person or institution as may be specified by regulations made, from time to time, by the Reserve Bank for the purpose of obtaining credit information from a credit information company;

(m) words and expressions used herein and not defined in this Act but defined in the Reserve Bank of India Act, 1934 or the Banking Regulation Act, 1949 or the Companies Act, 1956 shall have the meanings respectively assigned to them in those Acts.

2 of 1934.

2 of 1949.

1 of 1956.

## CHAPTER II

### REGISTRATION OF CREDIT INFORMATION COMPANIES

Prohibition to commence or carry on business of credit information.

3. Save as otherwise provided in this Act, no company shall commence or carry on the business of credit information without obtaining a certificate of registration from the Reserve Bank under this Act.

Application for registration.

4. (1) Every company which intends to commence the business of credit information shall make an application for registration to the Reserve Bank in such form and manner as may be specified by regulations.

(2) Every credit information company, in existence on the commencement of this Act, before the expiry of six months from such commencement, shall apply in writing to the Reserve Bank for obtaining a certificate of registration under this Act:

Provided that in the case of a credit information company in existence on the commencement of this Act, nothing in section 3 shall be deemed to prohibit such credit information company from carrying on the business of a credit information company, until it is granted a certificate of registration or is by notice in writing informed by the Reserve Bank that a certificate of registration cannot be granted to it.

Grant of certificate of registration.

5. (1) The Reserve Bank may, for the purpose of considering the application of a company for grant of a certificate of registration to commence or carry on the business of credit information, require to be satisfied, by an inspection of records or books of such company or otherwise that the following conditions are fulfilled, namely:—

(a) that the applicant company has minimum capital structure referred to in section 8;

(b) that the general character of the management or the proposed management of the applicant company shall not be prejudicial to the interest of its specified users, clients or borrowers, or other credit information companies;

(c) that any other condition, the fulfilment of which in the opinion of the Reserve Bank, shall be necessary to ensure that the commencement or carrying on of the business of credit information by the applicant company shall not be detrimental or prejudicial to the public interest or banking policy or credit system or its specified users or clients or borrowers or other credit information companies or others who would provide credit information to the credit information companies.

(2) The Reserve Bank may, after being satisfied that the conditions as referred to in sub-section (1) are fulfilled, grant a certificate of registration to the applicant company to commence or carry on the business of credit information, subject to such conditions which it may consider fit to impose and if the company fails to fulfil any of such conditions or any of the provisions of this Act, the application of the company shall be rejected:

Provided that no application shall be rejected unless the applicant has been given an opportunity of being heard.

6. (1) The Reserve Bank may cancel a certificate of registration granted to a credit information company under sub-section (2) of section 5 if such company,—

(i) ceases to carry on the business of credit information; or

(ii) has failed to comply with any of the conditions subject to which the certificate of registration has been granted to it; or

(iii) at any time fails to fulfil any of the conditions referred to in sub-clauses (a) to (c) of sub-section (1) or sub-section (2) of section 5; or

(iv) fails—

(a) to comply with provisions of any law for the time being in force or any direction issued by the Reserve Bank under the provisions of this Act; or

(b) to submit or offer for inspection its books of account and other relevant documents when so demanded by the officers, persons or agency referred to in sub-section (1) of section 12.

Power of  
Reserve Bank  
to cancel  
certificate of  
registration .

(2) Before cancelling the certificate of registration granted to a credit information company under this section on the ground that the company has failed to comply with the conditions specified in clauses (a) to (c) of sub-section (1) or sub-section (2) of section 5 or the provisions of any other law for the time being in force or directions issued under this Act, the Reserve Bank, shall grant time to such company on such terms as the Reserve Bank may deem appropriate for taking necessary steps to comply with such directions or provisions or fulfilment of such conditions, within such time:

Provided that if the Reserve Bank is of the opinion that the delay in cancelling the certificate of registration of such company shall be prejudicial or detrimental to the public interest or banking policy or credit system or borrowers or other credit information companies, the Reserve Bank may cancel the certificate of registration without granting time as provided in sub-section (2).

(3) No order of cancellation of certificate of registration granted to a credit information company shall be made by the Reserve Bank unless such company has been given a reasonable opportunity of being heard.

Appeal against  
order of  
Reserve Bank.

7. (1) A credit information company aggrieved by the order of rejection of an application for grant of certificate of registration under section 5 or cancellation of certificate of registration under section 6, may prefer an appeal to the Central Government, within a period of thirty days from the date on which such order of rejection or cancellation, as the case may be, is communicated to the credit information company.

(2) The decision of the Central Government, where an appeal has been preferred to it under sub-section (1), or of the Reserve Bank where no such appeal has been preferred, shall be final:

Provided that before making any order of rejection of an appeal, the applicant company or the credit information company, as the case may be, shall be given a reasonable opportunity of being heard.

8. (1) The authorised capital of every credit information company shall be a minimum of thirty crores:

Provided that the Reserve Bank may, by notification, increase the minimum amount of authorised capital to any amount not exceeding fifty crores.

(2) The issued capital of every credit information company shall not be less than twenty crores:

Provided that the Reserve Bank may, by notification, increase the issued capital to any amount not exceeding the minimum amount of authorised capital as referred to in sub-section (1).

(3) The minimum paid up capital of every credit information company at any time shall not be less than seventy five per cent. of the issued capital.

### CHAPTER III

#### MANAGEMENT OF CREDIT INFORMATION COMPANIES

Management of  
credit  
information  
company.

9. (1) Notwithstanding anything contained in any law for the time being in force, or in any contract to the contrary, every credit information company in existence on the commencement of this Act, or which comes into existence thereafter, shall have one of its directors, who may be appointed on whole time or on a part-time basis as chairperson of its board, and where he is appointed on whole time basis as chairperson of its board, he shall be entrusted with the management of the whole of the affairs of the credit information company:

Provided that the chairperson of the board of the credit information company shall exercise his powers subject to the superintendence, control and directions of the board.

(2) Where a chairperson is appointed on a part-time basis, the management of whole of the affairs of the credit information company shall be entrusted to a managing director or, a whole time director by whatever name called, who shall exercise his powers subject to the superintendence, control and directions of the board.

(3) In addition to the chairperson or managing director or whole-time director, by whatever name called, the board of directors shall consist of not less than fifty per cent. directors who shall be persons having special knowledge in, or practical experience of, the matters relating to public administration, law, banking, finance, accountancy, management and information technology.

(4) In discharging its functions, the board shall act on business principles and shall have due regard to the interest of its specified users, credit institutions or the clients or borrowers of credit institutions.

(5) Where the Reserve Bank is satisfied that it is in the public interest or in the interest of banking policy or credit system of the country, or for preventing the affairs of any credit information company being managed in a manner detrimental to the interest of banking policy or credit institutions or borrowers or clients or for securing the proper management of any credit information company, it is necessary so to do, the Reserve Bank may, for reasons to be recorded in writing, by order published in the Official Gazette, supersede the board of such company, for such period not exceeding six months, as may be specified in the order and which may be extended from time to time, so, however, that the total period shall not exceed twelve months:

Provided that before making any such order, the Reserve Bank shall give a reasonable opportunity to the board of such credit information company to make representation against the proposed supersession and shall consider the representation, if any, of the board.

(6) The Reserve Bank may, on supersession of the board of a credit information company under sub-section (5), appoint an Administrator for such period and on such salary and other terms and conditions as it may determine.

(7) The Reserve Bank may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(8) Upon making of the order under sub-section (5), superseding the board of a credit information company—

(a) the chairperson, managing director and other directors of such credit information company shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of the Companies Act, 1956 or this Act or any other law for the time being in force, be exercised or discharged, by or on behalf of the board of such credit information company, or by a resolution passed in general meeting of that company, shall, until the reconstitution of its board under sub-section (10), be exercised and discharged by the Administrator appointed by the Reserve Bank under sub-section (6):

Provided that the power exercised by the Administrator shall be valid notwithstanding that such powers are exercisable by a resolution passed in the general meeting of such credit information company.

(9) The salary and allowances payable to the Administrator and staff assisting the Administrator shall be borne by the credit information company.

(10) On and before the expiration of two months before expiry of the period of supersession mentioned in the order of the Reserve Bank issued under sub-section (5), the Administrator of the credit information company, shall call a general meeting of the credit information company to elect new directors and reconstitute its board and any person who had vacated his office under clause (a) of sub-section (8), shall not be deemed to be disqualified for re-appointment.

(11) Notwithstanding anything contained in any law for the time being in force or in any contract or the memorandum or articles of association, of the credit information company, on the removal of a person from office under this section, that person shall not be entitled to claim any compensation for the loss or termination of office.

10. Where the Reserve Bank is satisfied that it is necessary or expedient in the public interest or in the interest of specified users or in the interest of credit information companies or credit institutions or clients or borrowers so to do, it may determine the policy in relation to functioning of credit information companies or credit institutions or specified users generally or in particular and when the policy has been so determined all credit information

Power of  
Reserve Bank  
to determine  
policy.

Power of  
Reserve Bank  
to give  
directions.

companies, credit institutions and specified users, as the case may be, shall be bound to follow the policy as so determined.

**11. (1) Where the Reserve Bank is satisfied that,—**

- (a) in the public interest; or
- (b) in the interest of credit institutions; or
- (c) in the interest of specified users; or
- (d) in the interest of banking policy; or

(e) to prevent the affairs of any credit information company being conducted in a manner detrimental to the interests of its specified users or in a manner prejudicial to the interests of credit institutions or borrowers or clients; or

(f) to secure the proper management of credit information companies generally, it is necessary to issue directions to credit information companies or credit institutions or specified users generally or to any credit information company or credit institution or specified user in particular, it may, from time to time, issue such directions as it deems fit, and such credit information companies, credit institutions and specified users or credit information company, credit institution, and specified user, as the case may be, shall be bound to comply with such directions.

(2) The Reserve Bank may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-section (1), and the Reserve Bank, in so modifying or cancelling any direction, may impose such conditions as it thinks fit, subject to which the modification or cancellation shall have effect.

(3) The Reserve Bank may, at any time, if it is satisfied that in the public interest or in the interest of a credit information company or its members, it is necessary so to do, by order in writing and on such terms and conditions as may be specified therein,—

(a) require such credit information company to call a meeting of its directors for the purpose of considering any matter relating to or arising out of the affairs of the credit information company;

(b) depute one or more of its officers to watch the proceedings at any meeting of the board of the credit information company or of any committee or of any other body constituted by it and require the credit information company to give an opportunity to the officers so deputed to be heard at such meetings and also require such officers to send a report of such proceedings to the Reserve Bank;

(c) require the board of the credit information company or of any committee or any other body constituted by it to give in writing to any officer deputed by the Reserve Bank in this behalf at his usual address all notices of, and other communications relating to, any meeting of the board, committee or other body constituted by it;

(d) appoint one or more of its officers to observe the manner in which the affairs of the credit information company or of its offices or branches are being conducted and make a report thereon;

(e) require the credit information company to make, within such time as may be specified in the order, such changes in the management as the Reserve Bank may consider necessary.

(4) The Reserve Bank may, at any time, direct any credit information company to furnish it within such time as may be specified by the Reserve Bank, such statements and information relating to the business or affairs of the credit information company as the Reserve Bank may consider necessary or expedient to obtain for the purpose of this Act.

1 of 1956.

**12. (1)** Notwithstanding anything to the contrary contained in section 235 of the Companies Act, 1956, the Reserve Bank, at any time, may and on being directed so to do by the Central Government shall, cause an inspection to be made by one or more of its officers or through such other persons or agency as the Reserve Bank may determine, of any credit information company or credit institution or specified user and their books and accounts; and the Reserve Bank shall supply to the credit information company or credit institution or specified user, as the case may be, a copy of its report on such inspection.

Inspection of  
credit  
information  
company, credit  
institution and  
specified user.

**(2)** It shall be the duty of every director or other officer or employee of the credit information company, credit institution and specified user to produce to any officer or person or agency, as the case may be, making an inspection under sub-section (1) all such books, accounts and other documents in his custody or power and to furnish him with any statement and information relating to the affairs of such credit information company, credit institution and specified user, as the said officer or person or agency may require of him within such time as the said officer or person or agency may specify.

**(3)** Any officer of the Reserve Bank or person or an agency making an inspection under sub-section (1) may examine on oath any director or other officer or employee of the credit information company, credit institution and specified user, in relation to their business, and may administer an oath accordingly.

**(4)** The expenses of, or incidental to, the inspection under sub-section (1) by any person or an agency referred to in sub-section (1) shall be borne by the concerned credit information company or credit institution or specified user, as the case may be.

#### CHAPTER IV

##### AUDITORS

**13. (1)** It shall be the duty of an auditor of a credit information company to inquire whether or not the credit information company has furnished to the Reserve Bank such statements, information or particulars relating to its business as are required to be furnished under this Act and the auditor shall, except where he is satisfied on such inquiry that the credit information company has furnished such a statement, information or particulars, make a report to the Reserve Bank in this regard.

Powers and  
duties of  
auditors.

**(2)** The Reserve Bank may, on being satisfied that it is necessary so to do, in the public interest or in the interest of credit system, issue directions in particular or in general with respect to audit of the credit information company and submission of the report to the Reserve Bank.

**(3)** Where the Reserve Bank is of the opinion that it is necessary so to do in the public interest or in the interest of the credit information company or its members, or in the interest of credit system or credit institution or its borrower or client so to do, it may, at any time, by an order, direct that a special audit of the accounts of the credit information company in relation to any such transaction or class of transactions or for such period or periods, as may be mentioned in the order, shall be conducted and the Reserve Bank may by such order or by a separate order either appoint an auditor or auditors or direct the auditor of the credit information company himself to conduct such special audit and the auditor shall comply with such directions and make a report of such audit to the Reserve Bank and forward a copy thereof to the credit information company.

**(4)** The remuneration of the auditors as may be fixed by the Reserve Bank, having regard to the nature and volume of work involved in the audit and the expenses of, or incidental to, the audit, shall be borne by the credit information company so audited.

Functions of a credit information company.

## CHAPTER V

### FUNCTIONS OF CREDIT INFORMATION COMPANIES

**14. (1)** A credit information company may engage in any one or more of the following forms of business, namely:—

- (a) to collect, process and collate information on trade, credit and financial standing of the borrowers of the credit institution which is a member of the credit information company;
- (b) to provide credit information to its specified users or to the specified users of any other credit information company or to any other credit information company being its member;
- (c) to provide credit scoring to its specified users or specified users of any other credit information company or to other credit information companies being its members;
- (d) to undertake research project;
- (e) to undertake any other form of business which the Reserve Bank may, specify by regulations as a form of business in which it is lawful for a credit information company to engage.

(2) No credit information company shall engage in any form of business other than those referred to in sub-section (1).

(3) Any credit information company for the purposes of carrying on the business of credit information may—

- (a) register credit institutions and other credit information companies, at their option as its member, subject to such terms and conditions as may be pre-determined and disclosed by such credit information company;
- (b) charge such reasonable amount of fees, as it may deem appropriate not exceeding the maximum fee, as may be specified under section 27, for furnishing credit information to a specified user;
- (c) generally to do all such other acts and perform such other functions as are necessary to facilitate proper conduct of its affairs, business and functions in accordance with the provisions of this Act.

**15. (1)** Every credit institution in existence on the commencement of this Act, before the expiry of three months from such commencement or within such extended period, as the Reserve Bank may allow on its application and subject to being satisfied about the reason for extension, shall become member of at least one credit information company.

(2) Every credit institution which comes into existence after the commencement of this Act, before the expiry of three months from its coming into existence, or within such extended period, as the Reserve Bank may allow on its application and subject to being satisfied about the reason for extension, shall become member of at least one credit information company.

(3) A credit information company may, at its option, become member of another credit information company.

(4) No credit information company shall refuse to register a credit institution or another credit information company as its member without providing reasonable opportunity of being heard to such credit institution or credit information company, whose application it proposes to reject and recording reasons for such rejection and a copy of such order of rejection shall be forwarded to the Reserve Bank.

Credit Institution to be member of a credit information company.

(5) A credit institution or credit information company aggrieved by the order of rejection of its application for its registration as a member of a credit information company under sub-section (4) may prefer an appeal to the Reserve Bank, within a period of thirty days from the date on which such order of rejection was communicated to it:

Provided that the Reserve Bank may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding thirty days.

(6) On receipt of an appeal under sub-section (5), the Reserve Bank, after giving the appellant and other concerned parties, an opportunity of being heard, pass such order as it deems fit.

(7) The decision of the Reserve Bank where an appeal has been preferred to it under sub-section (5) shall be final and the order of the credit information company under sub-section (4) shall be final after the expiry of the said period of thirty days where no appeal has been preferred under that sub-section to the Reserve Bank.

(8) Every specified user shall be entitled to obtain credit information for its use from the credit information company of which such specified user is a member.

**16. (1) Where a credit institution—**

- (a) abstains from becoming a member of at least one credit information company; or
- (b) at any time is not a member of any credit information company,

Failure to become a member of a credit information company.

the Reserve Bank *suo moto* or on a complaint from a credit information company may, direct such credit institution to take necessary steps within such time, as it may specify to become a member of a credit information company.

(2) In case a credit institution fails to comply with the directions of the Reserve Bank under sub-section (1), to become member of at least one credit information company, the Reserve Bank may, without prejudice to the provisions of this Act, intimate such failure to any other authority for taking such action as it may deem fit.

**17. (1) A credit information company or any person authorised in that behalf by the company may, by notice in writing, in such form, as may be specified by regulations made by the Reserve Bank or as near thereto, require its members being credit institution or credit information company, to furnish such credit information as it may deem necessary in accordance with the provisions of this Act.**

Collection and furnishing of credit information.

(2) Every credit institution which is member of the credit information company and every credit information company which is a member of other credit information company shall, on receipt of notice under sub-section (1), provide credit information to the credit information company of which it is a member, within such period as may be specified in the notice.

(3) Every credit information company shall provide for such purpose, as may be specified by regulations, the credit information received under sub-section (2), to its specified user on receipt of request from him in accordance with the provisions of this Act and directions issued thereunder by the Reserve Bank from time to time in this behalf.

**(4) No credit information received under this Act,—**

- (a) by the credit information company, shall be disclosed to any person other than its specified user; or
- (b) by the specified user, shall be disclosed to any other person;
- (c) by the credit information company or specified user, shall be disclosed for any other purpose than as permitted or required by any other law for the time being in force.

Settlement of dispute.

**18. (1)** Notwithstanding anything contained in any law for the time being in force, if any dispute arises amongst, credit information companies, credit institutions, borrowers and clients on matters relating to business of credit information and for which no remedy has been provided under this Act, such disputes shall be settled by conciliation or arbitration as provided in the Arbitration and Conciliation Act, 1996, as if the parties to the dispute have consented in writing for determination of such dispute by conciliation or arbitration and provisions of that Act shall apply accordingly.

26 of 1996.

**(2)** Where a dispute has been referred to arbitration under sub-section (1), the same shall be settled or decided by the arbitrator to be appointed by the Reserve Bank.

**(3)** Save as otherwise provided under this Act, the provisions of the Arbitration and Conciliation Act, 1996 shall apply to all arbitration under this Act as if the proceedings for arbitration were referred for settlement or decision under the provisions of the Arbitration and Conciliation Act, 1996.

26 of 1996.

## CHAPTER VI

### INFORMATION PRIVACY PRINCIPLES AND FURNISHING OF CREDIT INFORMATION

Accuracy and security of credit information.

**19.** A credit information company or credit institution or specified user as the case may be, in possession or control of credit information, shall take such steps (including security safeguards) as may be prescribed, to ensure that the data relating to the credit information maintained by them is accurate, complete, duly protected against any loss or unauthorised access or use or unauthorised disclosure thereof.

Privacy principles.

**20.** Every credit information company, credit institution and specified user shall adopt the following privacy principles in relation to collection, processing, collating, recording, preservation, secrecy, sharing and usage of credit information, namely:—

#### (a) the principles—

(i) which may be followed by every credit institution for collection of information from its borrowers and clients and by every credit information company, for collection of information from its member credit institutions or credit information companies, for processing, recording, protecting the data relating to credit information furnished by, or obtained from, their member credit institutions or credit information companies, as the case may be, and sharing of such data with specified users;

(ii) which may be adopted by every specified user for processing, recording, preserving and protecting the data relating to credit information furnished, or received, as the case may be, by it;

(iii) which may be adopted by every credit information company for allowing access to records containing credit information of borrowers and clients and alteration of such records in case of need to do so;

(b) the purpose for which the credit information may be used, restriction on such use and disclosure thereof;

(c) the extent of obligation to check accuracy of credit information before furnishing of such information to credit information companies or credit institutions or specified users, as the case may be;

(d) preservation of credit information maintained by every credit information company, credit institution, and specified user as the case may be (including the period for which such information may be maintained, manner of deletion of such information and maintenance of records of credit information);

(e) networking of credit information companies, credit institutions and specified users through electronic mode;

(f) any other principles and procedures relating to credit information which the Reserve Bank may consider necessary and appropriate and may be specified by regulations.

**21. (1)** Any person, who applies for grant or sanction of credit facility, from any credit institution, may request to such institution to furnish him a copy of the credit information obtained by such institution from the credit information company.

(2) Every credit institution shall, on receipt of request under sub-section (1), furnish to the person referred to in that sub-section a copy of the credit information subject to payment of such charges, as may be specified by regulations, by the Reserve Bank in this regard.

(3) If a credit information company or specified user or credit institution in possession or control of the credit information, has not updated the information maintained by it, a borrower or client may request all or any of them to update the information; whether by making an appropriate correction, or addition or otherwise, and on such request the credit information company or the specified user or the credit institution, as the case may be, shall take appropriate steps to update the credit information within thirty days after being requested to do so:

Provided that the credit information company and the specified user shall make the correction, deletion or addition in the credit information only after such correction, deletion or addition has been certified as correct by the concerned credit institution:

Provided further that no such correction, deletion or addition shall be made in the credit information if any dispute relating to such correction, deletion or addition is pending before any arbitrator or tribunal or court and in cases where such dispute is pending, the entries in the books of the concerned credit institution shall be taken into account for the purpose of credit information.

**22. (1)** No person shall have access to credit information in the possession or control of a credit information company or a credit institution or a specified user unless the access is authorised by this Act or any other law for the time being in force or directed to do so by any court or tribunal and any such access to credit information without such authorisation or direction shall be considered as an unauthorised access to credit information.

(2) Any person who obtains unauthorised access to credit information as referred to in sub-section (1) shall be punishable with fine which may extend to one lakh rupees in respect of each offence and if he continues to have such unauthorised access, with further fine which may extend to ten thousand rupees for every day on which the default continues and such unauthorised credit information shall not be taken into account for any purpose.

## CHAPTER VII

### OFFENCES AND PENALTIES

**23. (1)** Whoever, in any return or other document or in any information required or furnished by, or under, or for the purposes of any provision of this Act, wilfully makes a statement which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, shall be punishable with imprisonment for a term which may extend to one year and shall also be liable to fine.

Offences and penalties.

(2) Every credit information company or a credit institution or any specified user, wilfully, performing any act or engaging in any practice, in breach of any of the principles referred to in section 20, shall be punishable with fine not exceeding one crore.

(3) Any credit information company or credit institution or specified user wilfully providing to any other credit information company or credit institution or specified user or

Alteration  
of credit  
information  
files and credit  
reports.

Unauthorised  
access to credit  
information.

borrower or client, as the case may be, credit information which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, shall be punishable, with fine which may extend to one crore.

(4) Any person who contravenes any provision of this Act or of any rule or order made thereunder, or obstructs the lawful exercise of any power conferred by or under this Act, or makes default in complying with any requirement of this Act or of any rule or order made or direction issued thereunder, shall, if no specific provision is made under this Act for punishment of such contravention, obstruction or default, be punishable with fine which may extend to one lakh rupees and where a contravention or default is a continuing one, with a further fine which may extend to five thousand rupees for every day during which the contravention or default continues.

(5) Where a contravention or default has been committed by a credit information company or credit institution or specified user, as the case may be, every person who, at the time the contravention or default was committed, was in charge of, and was responsible to the credit information company or credit institution or specified user for the conduct of its business, shall be deemed to be guilty of the contravention or default and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act if he proves that the contravention or default was committed without his knowledge or that he exercised all due diligence to prevent the contravention or default.

(6) Notwithstanding anything contained in sub-section (5), where a contravention or default has been committed by a credit information company or credit institution or specified user, as the case may be, and it is proved that the same was committed with the consent or connivance of, or is attributable to any gross negligence on the part of its chairperson, managing director, any other director, manager, secretary or other officer of the credit information company or the credit institution, such chairperson, managing director, any other director, manager, secretary or other officer shall also be deemed to be guilty of that contravention or default and shall be liable to be proceeded against and punished accordingly.

*Explanation.—* For the purposes of this section,—

(a) "company" means any body corporate and includes a firm or other association of individuals, and

(b) "director", in relation to a firm, means a partner in the firm.

Cognizance of offences.

24. (1) No court shall take cognizance of any offence committed by a member of a credit information company and punishable under section 23 except upon a complaint in writing made by an officer of the credit information company generally or specially authorised in writing in this behalf by the credit information company or if so directed by the Reserve Bank so to do and no court other than that of a Metropolitan Magistrate or a Judicial Magistrate of the first class or any court superior thereto shall try any such offence.

*Explanation.—* For the purposes of this sub-section, "member of a credit information company" shall mean a member referred to in section 15.

(2) No court shall take cognizance of any offence committed by a credit information company punishable under section 23 except upon a complaint in writing made by an officer of the Reserve Bank generally or specially authorised in writing in this behalf by the Reserve Bank and no court other than that of a Metropolitan Magistrate or a Judicial Magistrate of the first class or any court superior thereto shall try any such offence.

Power of Reserve Bank to impose penalty.

25. (1) Notwithstanding anything contained in section 23, if a contravention or default of the nature referred to in sub-section (2) of section 22 or sub-section (2) or sub-section (3) or sub-section (4) of section 23, as the case may be, is made by a credit information company or a credit institution then, the Reserve Bank may impose on such credit information company or credit institution—

(i) where the contravention is of the nature referred to in sub-section (2) of section 22, a penalty not exceeding one lakh rupees;

(ii) where the contravention is of the nature referred to in sub-section (2) or sub-section (3) of section 23, a penalty not exceeding one crore;

(iii) where the contravention is of the nature referred to in sub-section (4) of section 23, a penalty not exceeding one lakh rupees and where such contravention or default is continuing one, a further penalty which may extend to five thousand rupees for every day, after the first, during which the contravention or default continues.

(2) For the purpose of adjudging the penalty under sub-section (1), the Reserve Bank shall serve notice on credit information company or credit institution or specified user, as the case may be, requiring it to show cause as to why the amount mentioned in the notice should not be imposed as penalty and a reasonable opportunity of being heard shall also be given to such credit information company or credit institution or specified user as the case may be.

(3) No complaint shall be filed against credit information company or credit institution or specified user, as the case may be, in any court of law in respect of any contravention or default in respect of which any penalty has been imposed by the Reserve Bank under this section.

(4) Any penalty imposed by the Reserve Bank under this Act shall be payable within a period of fourteen days from the date on which notice issued by the Reserve Bank demanding payment of the sum is served on the credit information company or credit institution or specified user, as the case may be, and in the event of failure of such credit information company or credit institution or specified user to pay the sum within such period, may be levied on a direction made by the principal civil court having jurisdiction in the area where the registered office of the credit information company or credit institution or specified user, being a company, is situated and in case of credit institution incorporated outside India, where its principal place of business in India is situated:

Provided that such direction under this sub-section shall be made only upon an application made in this behalf to the court by the Reserve Bank.

(5) The court which makes a direction under sub-section (4) shall issue a certificate mentioning therein the sum payable by a credit information company or credit institution or specified user as the case may be, and every such certificate shall be enforceable in the same manner as if it were a decree made by the court in a civil suit.

(6) Where any complaint has been filed against credit information company or credit institution or specified user as the case may be, in any court in respect of the contravention or default of the nature referred to in sub-section (2) of section 22 and sub-section (2) or sub-section (3) or sub-section (4) of section 23, then, no proceedings for the imposition of any penalty on the credit information company or credit institution or specified user shall be taken under this section.

26. A court imposing any fine under this Act may direct that the whole or any part thereof shall be applied in or towards payment of the costs of the proceedings, or for such purposes as may be directed by the court.

Application of fines.

## CHAPTER VIII

### MISCELLANEOUS

27. The Reserve Bank may, specify, by regulations the maximum amount of fees leviable under sub-section (3) of section 14 for providing information to the specified users and for admissions of credit institutions or credit information companies as a member of a credit information company.

Power of Reserve Bank to specify maximum amount of fees.

Disclosure of information before any court or tribunal or authority.

Obligations as to fidelity and secrecy.

Protection of action taken in good faith.

Bar of jurisdiction.

Power of Reserve Bank to exempt in certain cases.

Application of other laws not barred.

Amendment of certain enactments.

**28.** No chairperson, director, member, auditor, adviser, officer or other employee or agent employed in the business of a credit information company or in the business of a specified user shall, except for the purposes of this Act or when required to do so by any other law in force or court or tribunal or authority, disclose any information to any person.

**29. (1)** Every credit information company shall observe, except as otherwise required by law, the practices and usages customary among credit information companies and it shall not divulge any information relating to, or to the affairs of its, members or specified users.

**(2)** Every chairperson, director, member, auditor, adviser, officer or other employee of a credit information company shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form, as may be prescribed in this regard.

*Explanation.*—For the purposes of this section and section 30, the terms “practices and usages customary” means such practices and usages which, are generally followed by credit information companies or may develop in due course in relation to their functions, in pursuance of the provisions of this Act, rules and regulations made and directions issued thereunder from time to time in pursuance thereof.

**30. (1)** No suit or other legal proceedings or prosecution shall lie against the Reserve Bank or the Central Government or credit information company or credit institution, or their chairperson, director, member, auditor, adviser, officer or other employee, or agent or any person authorised by the Reserve Bank or the Central Government or credit information company or credit institution to discharge any function under this Act, for any loss or damage caused or as is likely to be caused by anything which is in good faith done or intended to be done, in pursuance of this Act or any other law for the time being in force.

**(2)** Nothing contained in sub-section (1) shall affect the right of any person to claim damages against a credit information company, a credit institution or their chairperson, director, member, auditor, adviser, officer or other employee or agents, as the case may be, in respect of loss caused to him on account of any such disclosure made by anyone of them and which is unauthorised or fraudulent or contrary to provisions of this Act, or practices or usages customary among them.

**31.** No court or authority shall have, or be entitled to exercise, any jurisdiction, powers or authority, except the Supreme Court and a High Court exercising jurisdiction under articles 32, 226 and 227 of the Constitution, in relation to the matters referred to in sections 4, 5, 6, 7 and 18.

**32. (1)** The Central Government may, on the recommendation of the Reserve Bank, by notification in the Official Gazette direct that any or all of the provisions of this Act shall not apply to any credit information company or a credit institution, as the case may be, either generally or for such period and subject to such exceptions or modifications, as may be mentioned in that notification.

**(2)** A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

**33.** The provisions of this Act shall be in addition to, and not, save as provided under this Act, in derogation of, the provisions of the Companies Act, 1956 or any other law for the time being in force.

1 of 1956.

**34.** The enactments mentioned in the Schedule to this Act shall be amended in the manner specified therein.

**35.** (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as appear to it to be necessary or expedient for removing the difficulty:

Provided that no order shall be made under this section after the expiry of a period of two years from the commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

**36.** (1) The Central Government may, after consultation with the Reserve Bank, by notification in the Official Gazette, make rules to carry out the provisions of this Act.

Removal of difficulties.

Power to make rules.

(2) In particular, and without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matters, namely:—

(a) the steps to be taken by every credit information company or credit institution and specified user for ensuring accuracy, completeness of data and protection of data from any loss or unauthorised access or use or disclosure under section 19;

(b) the form in which a declaration of fidelity and secrecy shall be made under sub-section (2) of section 29;

(c) any other matter which is required to be, or may be, prescribed.

(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

**37.** (1) The Reserve Bank may make regulations consistent with the provisions of this Act and the rules made thereunder to carry out the purposes of this Act.

Power of Reserve Bank to make regulations.

(2) In particular, and without prejudice to the generality of the foregoing powers, such regulations may provide for all or any of the following matters, namely:—

(a) the persons or institutions which may be specified as specified users under clause (l) of section 2;

(b) the form in which application may be made under sub-section (1) of section 4 and the manner of filing such application under that sub-section;

(c) any other form of business in which a credit information company may engage under clause (e) of sub-section (1) of section 14;

(d) the form of notice for collection and furnishing of information procedure relating thereto and purposes for which credit information may be provided under sub-sections (1) and (2) of section 17;

(e) the principles and procedures relating to credit information which may be specified under clause (f) of section 20;

(f) the amount which may be required to be paid for obtaining copy of credit information under sub-section (2) of section 21;

(g) the maximum amount of charges payable under section 27.

(3) Every regulation, as soon as may be after it is made by the Reserve Bank, shall be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation, or both Houses agree that the regulation should not be made, the regulation shall, thereafter, have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.

### THE SCHEDULE

(See section 34)

#### AMENDMENTS TO CERTAIN ENACTMENTS

##### PART I

###### THE RESERVE BANK OF INDIA ACT, 1934

(2 OF 1934)

Section 45E, sub-section (2), after clause (c), insert—

“(d) the disclosures of any credit information under the Credit Information Companies (Regulation) Act, 2004.”.

##### PART II

###### THE BANKING REGULATION ACT, 1949

(10 OF 1949)

1. Section 19, after sub-section (3), insert—

“(4) Save as provided in clause (c) of sub-section (1), a banking company may form a subsidiary company to carry on the business of credit information in accordance with the Credit Information Companies (Regulation) Act, 2004.”.

2. Section 28, for “publish any information obtained by them under this Act in such consolidated form as they think fit”, substitute—

“publish—

(a) any information obtained by them under this Act in such consolidated form as they think fit;

(b) in such manner as they may consider proper, any credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

##### PART III

###### THE STATE FINANCIAL CORPORATION ACT, 1951

(63 OF 1951)

Section 40, after sub-section (3), insert—

“(4) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

##### PART IV

###### THE STATE BANK OF INDIA ACT, 1955

(23 OF 1955)

Section 44, after sub-section (2), insert—

“(3) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004”.

##### PART V

###### THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959

(38 OF 1959)

Section 52, after sub-section (2), insert—

“(3) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART VI****THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT, 1961**

(47 OF 1961)

Section 39, after sub-section (2), insert—

“(3) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART VII****THE STATE AGRICULTURAL CREDIT CORPORATIONS ACT, 1968**

(60 OF 1968)

Section 40, insert—

“Provided that nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART VIII****THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1970**

(5 OF 1970)

Section 13, after sub-section (3), insert—

“(4) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART IX****THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1980**

(40 OF 1980)

Section 13, after sub-section (3), insert—

“(4) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART X****THE EXPORT-IMPORT BANK OF INDIA ACT, 1981**

(28 OF 1981)

Section 30, after sub-section (3), insert—

“(4) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART XI****THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT ACT, 1981**

(61 OF 1981)

Section 51, after sub-section (2), insert—

“(3) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART XII****THE PUBLIC FINANCIAL INSTITUTIONS (OBLIGATION AS TO FIDELITY AND SECRECY) ACT, 1983**

(48 OF 1983)

Section 3, after sub-section (2), insert—

“(3) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART XIII****THE NATIONAL HOUSING BANK ACT, 1987**

(53 OF 1987)

Section 44, after sub-section (2), insert—

“(3) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

**PART XIV****THE REGIONAL RURAL BANKS ACT, 1976**

(21 OF 1976)

Section 25, after sub-section (2), insert—

“(3) Nothing contained in this section shall apply to the credit information disclosed under the Credit Information Companies (Regulation) Act, 2004.”.

### STATEMENT OF OBJECTS AND REASONS

The introduction of financial sector reforms has brought to fore the extent of non-performing assets (NPAs) and the management of NPAs in the banking system. It has become imperative to arrest accretion of fresh NPAs in the banking sector through an efficient system of credit information on borrowers as a first step in credit risk management. In this context the requirement of an adequate, comprehensive and reliable information system on the borrowers through an efficient database has been felt by the Reserve Bank of India (RBI), the Central Government, credit institutions and other players in the banking and financial sector.

2. The Reserve Bank of India had constituted a Working Group to explore the possibility of setting up a Credit Information Bureau (CIB). The Working Group observed that it would not be possible to set up a world class credit information company within the existing legal framework. The legal prohibition on disclosure of information contained in various laws relating to banking do not permit banks and financial institutions to share credit information with the credit information company. Besides, the power vested with the Reserve Bank of India under Chapter III A of the Reserve Bank of India Act, 1934, to collect and furnish credit information from banks or financial institutions cannot be delegated by it to another institution. Therefore, amendments would be required in various enactments. The Working Group submitted its report in October, 1999 and recommended amongst other things (a) enactment of a legislation for facilitating collection and sharing of information by the proposed bureau and (b) to amend certain Acts relating to banking to permit sharing of information with the said bureau.

3. A Credit Information Bureaus (India) Ltd., being a company formed and registered under the Companies Act, 1956, has already been set up in January, 2001. With a view to provide necessary legislative support to the business of credit information, it is proposed to enact a legislation, namely, the Credit Information Companies (Regulations) Bill, 2004 for regulation of credit information companies and to facilitate efficient distribution of credit. The Bill, *inter alia*, contains provisions for—

(a) prohibition to commence or carry on business of credit information without obtaining a certificate of registration from the Reserve Bank of India;

(b) procedure for making application for grant of certificate of registration, grant of certificate of registration, cancellation of certificate of registration and appeal against order of rejection of an application for grant of certificate of registration and cancellation of certificate of registration;

(c) requirement of minimum capital;

(d) management of credit information companies;

(e) conferring power upon the Reserve Bank of India to determine policy in relation to functioning of credit information companies and also giving directions to credit information companies and other players in the business of credit information;

(f) functions of credit information by credit information companies;

(g) collection and furnishing of credit information companies;

(h) powers and duties of auditors;

(i) obtaining of membership by credit institutions of credit information companies;

(j) information privacy principles;

(k) alterations of credit information files and credit reports;

(l) regulation of unauthorised access to credit information;

- (m) offences and penalties;
- (n) obligations as to fidelity and secrecy;
- (o) resolution of disputes between credit institutions and credit information companies or between credit institutions and their borrowers;
- (p) exemption from any or all the provisions of the proposed legislation to any credit information company or credit institution; and
- (q) amending certain enactments specified in the Schedule to the Bill so as to permit disclosure of credit information under the proposed legislation.

4. The existing legislations in force do not address these aspects of credit information companies and their functioning.

5. The Bill seeks to achieve the above objectives.

P. CHIDAMBARAM.

*Notes on clauses*

*Clause 2.*— This clause defines certain expressions used in the Bill.

*Clause 3.*— This clause relates to prohibition to commence or carry on business of credit information company. It provides that no company shall except as otherwise provided in this proposed legislation commence or carry on the business of credit information without obtaining a certificate of registration from the Reserve Bank under this proposed legislation.

*Clause 4.*— This clause contains provisions for making application by a company for registration.

*Sub-clause (1)* requires every company which intends to commence the business of credit information to make an application for certificate of registration to the Reserve Bank of India in such form, and manner as may be specified by regulations made by the Reserve Bank of India.

*Sub-clause (2)* provides that every credit information company, which is in existence on the commencement of this proposed legislation, shall apply, before the expiry of six months from such commencement, in writing to the Reserve Bank for obtaining a certificate of registration under this proposed legislation. However such credit information company may continue to carry on the business of credit information, until it is granted a certificate of registration or is by notice in writing informed by the Reserve Bank that a certificate of registration cannot be granted to it.

*Clause 5.*— This clause contains provisions for grant of certificate of registration to commence or carry on the business of credit information.

*Sub-clause (1)* requires the Reserve Bank for the purpose of considering the application of a company to be satisfied by an inspection of records or books of such company or otherwise, (a) that the applicant company has minimum capital structure referred to in clause 8; (b) that the management or the proposed management of the applicant company shall not be prejudicial to the interest of its specified users, clients or borrowers, or other credit information companies; (c) that any other condition, the fulfilment of which in the opinion of the Reserve Bank, shall be necessary to ensure that the commencement or carrying on of the business of credit information by the applicant company shall not be detrimental or prejudicial to the public interest or banking policy or credit system or its specified users or clients or borrowers or other credit information companies or others who would provide credit information to the credit information companies.

*Sub-clause (2)* confers power upon the Reserve Bank to grant a certificate of registration to the applicant company to commence or carry on the business of credit information, subject to such conditions which it may consider fit to impose and if the company fails to fulfil any of such conditions or any of the provisions of this proposed legislation, the application of the company shall be rejected after the applicant has been given an opportunity of being heard.

*Clause 6.*— This clause relates to the power of Reserve Bank to cancel certificate of registration. It confers power upon the Reserve Bank to cancel certificate of registration granted to a credit information company under sub-clause (2) of clause 5 if such company (i) ceases to carry on the business of credit information; or (ii) has failed to comply with any of the conditions subject to which the certificate of registration has been granted to it; or (iii) at any time fails to fulfil any of the conditions referred to in sub-clauses (a) to (c) of sub-clause (1) or sub-clause (2) of clause 5; or (iv) fails to comply with provisions of any law for the time being in force or any direction issued by the Reserve Bank under the provisions of this proposed legislation; or fails to submit or offer for inspection its books of account and other relevant documents when so demanded by the officers, persons or agency referred to in sub-clause (1) of clause 12.

It further provides that before cancelling the certificate of registration granted to a credit information company under this clause on the ground that the company has failed to comply with the conditions specified in clauses (a) to (c) of sub-clause (1) or sub-clause (2) of clause 5 or the provisions of any other law for the time being in force or directions issued under this proposed legislation, the Reserve Bank, shall grant time to such company on such terms as the Reserve Bank may deem appropriate for taking necessary steps to comply with such directions or provisions or fulfilment of such conditions, within such time. However if the Reserve Bank is of the opinion that the delay in cancelling the certificate of registration of such company shall be prejudicial or detrimental to the public interest or banking policy or credit system or borrowers or other credit information companies, the Reserve Bank may cancel the certificate of registration without granting time as provided in sub-section (2).

It is also proposed to provide that no order of cancellation of certificate of registration granted to a credit information company shall be made by the Reserve Bank unless such company has been given a reasonable opportunity of being heard.

*Clause 7.*— This clause provides for making an appeal against the order of Reserve Bank. A credit information company aggrieved by the order of rejection of an application for grant of certificate of registration under clause 5 or cancellation of certificate of registration under clause 6, may prefer an appeal to the Central Government, within a period of thirty days from the date on which such order of rejection or cancellation is communicated to the credit information company. The decision of the Central Government, where an appeal has been preferred to it under sub-clause (1), or of the Reserve Bank where no such appeal has been preferred, shall be final. However before making any order of rejection of an appeal, the applicant company or the credit information company, as the case may be, shall be given a reasonable opportunity of being heard.

*Clause 8.*—This clause specifies minimum capital requirement for every credit information company. It provides that the authorised capital of every credit information company shall be a minimum of thirty crores. This clause confers power upon the Reserve Bank to increase, by notification, the minimum amount of authorised capital to any amount not exceeding fifty crores.

It further specifies that the issued capital of every credit information company shall not be less than twenty crores. However, the Reserve Bank can, by notification, increase the issued capital to any amount not exceeding the minimum amount of authorised capital as referred to in this clause. This clause also provides that the minimum paid up capital of every credit information company at any time shall not be less than seventy five per cent. of the issued capital.

*Clause 9.*— This clause contains provisions for management of a credit information company.

*Sub-clause (1)* provides that, every credit information company in existence on the commencement of this proposed legislation, or which comes into existence thereafter shall, notwithstanding anything contained in any law for the time being in force, or in any contract to the contrary, have one of its directors, who may be appointed on whole time or on a part time basis as chairperson of its board of directors, and where he is appointed on whole time basis as chairperson of its board, he shall be entrusted with the management of the whole of the affairs of the credit information company. However, the chairperson of the board of the credit information company shall exercise his powers subject to the superintendence, control and directions of the board.

*Sub-clause (2)* requires, in case a chairperson of the credit information company is appointed on a part time basis, the management of whole of the affairs of the credit information company shall be entrusted to a managing director or, a whole time director by whatever name called, who shall exercise his powers subject to the superintendence, control and directions of the board.

*Sub-clause (3)* requires that the board of directors shall (in addition to the chairperson or managing director or whole-time director) consist of not less than fifty per cent. directors having special knowledge in, or experience of, the matters relating to public administration, law, banking, finance, accountancy, management and information technology.

*Sub-clause (4)* requires the board of every credit information company, while discharging its functions, to act on business principles and have due regard to the interest of its specified users, credit institutions or the clients or borrowers of credit institutions.

*Sub-clause (5)* provides that the Reserve Bank of India (if it is satisfied that it is in the public interest or in the interest of banking policy or credit system of the country, or for preventing the affairs of any credit information company being managed in a manner detrimental to the interest of banking policy or credit institutions or its borrowers or clients or for securing the proper management of any credit information company, it is necessary so to do), may, for reasons to be recorded in writing, by order published in the Official Gazette, supersede the board of such company. Such supersession shall be for a period not exceeding six months as may be specified in the Order, and such period may be extended from time to time, but that the total period in no case shall not exceed twelve months. However before making any such order, the Reserve Bank shall give a reasonable opportunity to the board of such credit information company to make representation against the proposed supersession and shall consider the representation, if any, of the board.

*Sub-clause (6)* confers power upon the Reserve Bank to appoint, on supersession of the board of a credit information company under sub-clause (5), an Administrator for such period and on such salary and other terms and conditions as it may determine.

*Sub-clause (7)* confers power upon the Reserve Bank to issue such directions to the Administrator appointed under clause (6) as it may deem appropriate and the Administrator shall be bound to follow such directions.

*Sub-clause (8)* provides for matters consequent upon supersession of the board of a credit information company under sub-clause (5). It provides that on such supersession (a) the chairperson, managing director and other directors of such credit information company shall, as from the date of supersession, vacate their offices as such (b) all the powers, functions and duties which may, by or under the provisions of the Companies Act, 1956 or this proposed legislation or any other law for the time being in force, be exercised or discharged, by or on behalf of the board of such credit information company, or by a resolution passed in general meeting of that company, shall, until the reconstitution of its board under sub-clause (10), be exercised and discharged by the Administrator appointed by the Reserve Bank under sub-clause (6). However the power exercised by the Administrator shall be valid notwithstanding that such powers are exercisable by a resolution passed in the general meeting of such credit information company.

*Sub-clause (9)* provides that the salary and allowances payable to the Administrator and staff assisting the Administrator shall be borne by the credit information company.

*Sub-clause (10)* imposes an obligation upon the Administrator of the credit information company, to call, on and before the expiration of two months before expiry of the period of supersession mentioned in the order of the Reserve Bank issued under sub-clause (5), a general meeting of the credit information company to elect new directors and reconstitute its board and any person who had vacated his office under clause (a) of sub-clause (8), shall not be deemed to be disqualified for re-appointment.

*Sub-clause (11)* provides that, on the removal of a person from office under this clause, such person shall not, notwithstanding anything contained in any law for the time being in

force or in any contract or the memorandum or articles of association of the credit information company, be entitled to claim any compensation for the loss or termination of office.

*Clause 10.*— This clause confers power upon the Reserve Bank to determine policy. It provides that in case the Reserve Bank, if it is satisfied that it is necessary or expedient in the public interest or in the interest of specified users or in the interest of credit information companies or credit institutions or clients or borrowers so to do, may determine the policy in relation to functioning of credit information companies or credit institutions or specified users generally or in particular. All credit information companies, credit institutions and specified users shall be bound to follow the policy as so determined.

*Clause 11.*— This clause confers power upon the Reserve Bank to give directions.

*Sub-clause (1)* provides that the Reserve Bank may, from time to time, issue directions to credit information companies or credit institutions or specified users generally or to any credit information company or credit institution or specified user in particular, and such credit information companies, credit institutions or specified users or credit information company or credit institution and specified user, shall be bound to comply with such directions. The directions shall be issued by the Reserve Bank, if it is satisfied that such directions are necessary (i) in the public interest; or (ii) in the interest of credit institutions; or (iii) in the interest of specified users; or (iv) in the interest of banking policy; or (v) to prevent the affairs of any credit information company being conducted in a manner detrimental to the interests of specified users or in a manner prejudicial to the interests of credit institutions or borrowers or clients; or (vi) to secure the proper management of credit information companies generally.

*Sub-clause (2)* confers power upon the Reserve Bank to modify or cancel, either on representation made to it or on its own motion, any direction issued under sub-clause (1). The Reserve Bank, may, in so modifying or cancelling such direction, impose such conditions as it thinks fit, subject to which such modification or cancellation shall have effect.

*Sub-clause (3)* provides that the Reserve Bank may, at any time, if it is satisfied that in the public interest or in the interest of a credit information company or its members, it is necessary so to do, by order in writing and on such terms and conditions as may be specified therein (i) require any credit information company to call a meeting of its directors for the purpose of considering any matter relating to or arising out of the affairs of the credit information company; (ii) depute one or more of its officers to watch the proceedings at any meeting of the board of the credit information company or of any committee or of any other body constituted by it and require the credit information company to give an opportunity to the officers so deputed to be heard at such meetings and also require such officers to send a report of such proceedings to the Reserve Bank; (iii) require the board of the credit information company or of any committee or any other body constituted by it to give in writing to any officer deputed by the Reserve Bank in this behalf at his usual address all notices of, and other communications relating to, any meeting of the board, committee or other body constituted by it; (iv) appoint one or more of its officers to observe the manner in which the affairs of the credit information company or of its offices or branches are being conducted and make a report thereon; (v) require the credit information company to make, within such time as may be specified in the order, such changes in the management as the Reserve Bank may consider necessary.

*Sub-clause (4), inter alia,* confers power upon the Reserve Bank to direct any credit information company to furnish it within such time as may be specified by the Reserve Bank, such statements and information relating to the business or affairs of the credit information company as it may consider necessary or expedient to obtain for the purpose of this proposed legislation.

*Clause 12.*— This clause contains provisions relating to inspection of credit information company, credit institution and specified user.

*Sub-clause (1)* provides that the Reserve Bank may, at any time, notwithstanding anything to the contrary contained in section 235 of the Companies Act, 1956, and on being directed so to do by the Central Government shall, cause an inspection of any credit information company or credit institution or specified user and their books and accounts of any credit information company or credit institution or specified users and their books and accounts. Such inspection may be made by one or more officers of the Reserve Bank or through such other persons or agency as it may determine. It further provides that the Reserve Bank shall supply to the credit information company or credit institution or specified users, as the case may be, a copy of its report on such inspection.

*Sub-clause (2)* imposes a duty upon every director or other officer or employee of the credit information company, credit institution and specified user to produce to any officer or person or agency, as the case may be, making an inspection under sub-clause (1) all such books, accounts and other documents in his custody or power and to furnish him with any statement and information relating to the affairs of such credit information company, credit institution and specified user as the said officer or person or agency may require of him within such time as the said officer or person or agency may specify.

*Sub-clause (3)* provides that any officer of the Reserve Bank or person or an agency making an inspection under sub-clause (1) may examine on oath any director or other officer or employee of the credit information company or credit institution or specified user in relation to their business, and may administer an oath accordingly.

*Sub-clause (4)* provides that the expenses of, or incidental to, the inspection under sub-clause (1) by any officer or person or an agency referred to in sub-clause (1) shall be borne by the credit information company or credit institution or specified user, as the case may be.

*Clause 13.*— This clause contains provisions relating to powers and duties of auditors.

*Sub-clause (1)* imposes a duty upon every auditor of a credit information company to inquire whether or not the credit information company has furnished to the Reserve Bank such statements, information or particulars relating to its business as are required to be furnished under this proposed legislation. The auditor is required to make a report to the Reserve Bank in this regard except in cases where he is satisfied on such inquiry that the credit information company has furnished such a statement, information or particulars.

*Sub-clause (2)* provides that the Reserve Bank may, on being satisfied that it is necessary so to do, in the public interest or in the interest of credit system, issue directions in particular or in general with respect to audit of the credit information company and submission of report to the Reserve Bank.

*Sub-clause (3), inter alia,* confers power upon the Reserve Bank to direct, by order, that a special audit shall be conducted of the accounts of the credit information company in relation to any such transaction or class of transaction or for such period or periods, as may be mentioned in the order. The Reserve Bank may, by such order or by a separate order, either appoint an auditor or auditors or direct the auditor of the credit information company himself to conduct such special audit and the auditor shall comply with such directions and make a report of such audit to the Reserve Bank and forward a copy thereof to the credit information company.

*Sub-clause (4)* confers power upon the Reserve Bank to fix, having regard to the nature and volume of work involved in the audit, remuneration of the auditors and the expenses of, or incidental to, the audit, shall be borne by the credit information company so audited.

*Clause 14.*— This clause specifies the functions of a credit information company.

*Sub-clause (1)* provides that the credit information company may engage in any forms of business, namely, (a) to collect, process and collate information on ~~the~~ credit and financial standing of the borrowers of ~~the~~ credit institution which is a member of the credit

information company; (b) to provide credit information to its specified users or to the specified users of any other credit information company or to any other credit information company being its member; (c) to provide credit scoring to its specified users or specified users of any other credit information company or to other credit information companies being its members; (d) to undertake research project; and (e) to undertake any other form of business which the Reserve Bank may, specify, by regulations, as a form of business in which it is lawful for a credit information company to engage.

*Sub-clause (2)* prohibit the credit information company to engage in any form of business other than those referred to in *sub-clause (1)*.

*Sub-clause (3)* provides that any credit information company for the purposes of carrying on the business of credit information may (a) register credit institutions and other credit information companies, at their option as its member, subject to such terms and conditions as may be pre-determined and disclosed by such credit information company; (b) charge such reasonable amount of fees, as it may deem appropriate not exceeding the maximum fee, as may be specified under clause 27, for furnishing credit information to a specified user; and (c) generally to do all such other acts and perform such other functions as are necessary to facilitate proper conduct of its affairs, business and functions, in accordance with the provisions of this proposed legislation.

*Clause 15.*— This clause requires every credit institution to be member of at least one credit information company.

*Sub-clause (1)* provides that every credit institution, in existence on the commencement of this proposed legislation before the expiry of three months from such commencement or within such extended period, as the Reserve Bank may allow, on its application and subject to being satisfied for extension, shall become member of at least one credit information company.

*Sub-clause (2)* provides that every credit institution which comes into existence after the commencement of this proposed legislation, before the expiry of three months from its coming into existence, or within such extended period, as the Reserve Bank may allow on application and subject to being satisfied about the reason for extension, shall become member of at least one credit information company.

*Sub-clause (3)* provides that a credit information company may, at its option, become member of another credit information company.

*Sub-clause (4)* provides that no credit information company shall refuse to register a credit institution or another credit information company as its member without providing reasonable opportunity of being heard to such credit institution or credit information company, whose application it proposes to reject and recording reasons for such rejection and a copy of such order of rejection shall be forwarded to the Reserve Bank.

*Sub-clause (5)* allows a credit institution or credit information company aggrieved by the order of rejection of its application for its registration as a member of a credit information company under *sub-clause (4)* to prefer an appeal to the Reserve Bank, within a period of thirty days from the date on which such order of rejection was communicated to it. However, the Reserve Bank may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding thirty days.

*Sub-clause (6)* provides that on receipt of an appeal under *sub-clause (5)*, the Reserve Bank, after giving the appellant and other concerned parties, an opportunity of being heard, pass such order as it deems fit in this regard.

*Sub-clause (7)* provides that the decision of the Reserve Bank where an appeal has been preferred to it under *sub-clause (5)* shall be final and the order of the credit information company under *sub-clause (4)* shall be final after the expiry of said period of thirty days where no appeal has been preferred under that *sub-clause* to the Reserve Bank.

*Sub-clause (8)* gives a right to every specified user to obtain credit information for its use from the credit information company of which such specified user is a member.

*Clause 16.*— This clause contains provisions in respect of failure to become a member of a credit information company. In case a credit institution abstains from becoming a member of at least one credit information company or at any time is not a member of any credit information company, the Reserve Bank *sua moto* or on a complaint from a credit information company may, direct such credit institution to take necessary steps within such time, as it may specify to become a member of a credit information company. If a credit institution fails to comply with the directions of the Reserve Bank to become member of at least one credit information company, the Reserve Bank may, without prejudice to the provisions of this proposed legislation, intimate such failure to any other authority for taking such action as it may deem fit.

*Clause 17.*— This clause relates to collection and furnishing of credit information.

*Sub-clause (1)* provides that a credit information company or any person authorised in that behalf by the company may, by notice in writing, in such form, as may be specified by regulations made by the Reserve Bank or as near thereto, require its members being credit institution or credit information company, to furnish such credit information as it may deem necessary in accordance with this proposed legislation.

*Sub-clause (2)* provides that every credit institution which is member of the credit information company and every credit information company which is a member of other credit information company, shall, on receipt of notice under sub-clause (1), provide credit information to the credit information company of which it is a member within such period as may be specified in the notice.

*Sub-clause (3)* provides that every credit information company shall provide for such purpose, as may be specified by regulations, the credit information received under sub-clause (2), to its specified user on receipt of request from him in accordance with the provisions of this proposed legislation and directions, issued thereunder by the Reserve Bank from time to time in this behalf.

*Sub-clause (4)* provides that no credit information received, by the credit information company shall be disclosed to any person other than its specified user, or, by the specified user shall be disclosed to any other person; or received, by the credit information company or specified user shall be disclosed for any other purpose than as permitted or required by any other law for the time being in force.

*Clause 18.*— This clause relates to settlement of dispute amongst credit information companies, credit institutions borrowers and clients.

This clause provides that if any dispute arises amongst, credit information companies, credit institutions, its borrowers and clients on matters relating to business of credit information and for which no remedy has been provided under this proposed legislation, such dispute shall be settled by conciliation or arbitration as provided in the Arbitration and Conciliation Act, 1996, as if the parties to the dispute have consented in writing for determination of such dispute by conciliation or arbitration and provision of that Act shall apply accordingly.

Where a dispute has been referred to arbitration, the same shall be settled or decided by the arbitrator to be appointed by the Reserve Bank. It further provides that the provisions of the Arbitration and Conciliation Act, 1996 (except as otherwise provided under this proposed legislation), shall apply to all arbitration proceeding under this proposed legislation as if the proceedings for arbitration were referred for settlement or decision under the provisions of the Arbitration and Conciliation Act, 1996.

*Clause 19.*— This clause imposes an obligation on a credit information company or credit institution or specified user, (which is in possession or control of credit information) to take requisite steps (including security safeguards), as may be prescribed, so as to ensure that the data relating to the credit information maintained by them is accurate, complete, duly protected against any loss or unauthorised access or use or unauthorised disclosure thereof.

*Clause 20.*— This clause relates to privacy principles to be adopted and followed by every credit information company, credit institution and specified user in relation to credit information.

This clause (*I*) provides that every credit information company, credit institution and specified user shall adopt the privacy principles in relation to collection, processing, collating, recording, preservation, secrecy, sharing and usage of credit information. The privacy principles to be followed are mentioned in sub-clause (*I*), namely, (*a*) (*i*) which may be followed by every credit institution for collection of information from its borrowers and clients; and by every credit information company, for collection of information from its member credit institutions or credit information companies, for processing, recording, protecting the data relating to credit information furnished by, or obtained from, their member credit institutions or credit information companies, as the case may be, and sharing of such data with specified users; (*ii*) which may be adopted by every specified user for processing, recording, protecting the data relating to credit information furnished, or received, as the case may be, by it; (*iii*) which may be adopted by every credit information company for allowing access to records containing credit information of borrowers and clients and alteration of such records in case of need to do so; (*b*) the purposes for which the credit information may be used, restriction on such use and disclosure thereof; (*c*) the extent of obligation to check accuracy of credit information before furnishing of such information to credit information companies or credit institutions or specified users, as the case may be; (*d*) preservation of credit information maintained by every credit information company, credit institution and specified user, as the case may be, (including the period for which such information may be maintained, manner of deletion of such information and maintenance of records of credit information); (*e*) networking of credit information companies, credit institutions and specified users through electronic mode; and (*f*) any other principles and procedures relating to credit information which the Reserve Bank may consider necessary and appropriate and may specify by regulations.

*Clause 21.*— This clause contains provisions relating to alteration of credit information files and credit reports.

It provides that any person, who applies for grant or sanction of credit facility, from any credit institution, may request such institution to furnish him a copy of the credit information obtained by such institution from the credit information company. Every such credit institution shall, on receipt of the request, furnish the copy of such credit information subject to payment of such charges, as may be specified by regulations, by the Reserve Bank in this regard. If a credit information company or specified user or credit institution in possession or control of the credit information, has not updated the information maintained by it, a borrower or client may request all or any of them to update the information; whether by making an appropriate correction, or addition or otherwise; and on such request the credit information company or the specified user or the credit institution, as the case may be, shall take appropriate steps to update the credit information within thirty days after being requested to do so. However the credit information company and the specified user shall make the correction, deletion or addition in the credit information only after such correction, deletion or addition has been certified as correct by concerned credit institution and no such correction, deletion or addition shall be made in any credit information if any dispute relating to such correction, deletion or addition in cases where such dispute is pending, before any arbitrator or tribunal or court and the entries in the books of the concerned credit institution shall be taken into account for the purposes of credit information.

*Clause 22.*— This clause contains provisions relating to unauthorised access to credit information.

*Sub-clause (I)* provides that no person shall have access to credit information in the possession or control of a credit information company or a credit institution or a specified user unless the access is authorised by this proposed legislation or any other law for the time being in force or directed to do so by any court or tribunal and any such access to credit

information without such authorisation or direction shall be considered as an unauthorised access to credit information.

*Sub-clause (2)* provides for punishment for unauthorised access to credit information. It provides that any person who obtains unauthorised access to credit information as referred to in sub-clause (1) shall be punishable with fine which may extend to one lakh rupees in respect of each offence and if he continues to have such unauthorised access, with a further fine which may extend to ten thousand rupees for every day on which the default continues and such unauthorised credit information shall not be taken into account for any purpose.

*Clause 23.*— This clause contains provisions relating to offences and penalties.

*Sub-clause (1)* provides that whoever, in any return or other document or in any information required or furnished by or under or for the purposes of any provision of this proposed legislation, wilfully makes a statement which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, shall be punishable with imprisonment for term which may extend to one year and shall also be liable to fine.

*Sub-clause (2)* provides that every credit information company or a credit institution or any specified user, wilfully, performing any act or engaging in any practice, in breach of any of the principles referred to in clause 20, shall be punishable with fine not exceeding one crore.

*Sub-clause (3)* provides that any credit information company or credit institution or specified user, wilfully providing to any other credit information company or credit institution or specified user, or borrower or client, as the case may be, the credit information, which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, shall be punishable, with fine which may extend to one crore.

*Sub-clause (4)* provides that any person who contravenes any provision of this proposed legislation or of any rule or order made thereunder, or obstructs the lawful exercise of any power conferred by or under this proposed legislation, or makes default in complying with any requirement of this proposed legislation or of any rule or order made or direction issued thereunder, shall, if no specific provision is made under this proposed legislation for punishment of such contravention, obstruction or default, be punishable with fine which may extend to one lakh rupees and where a contravention or default is a continuing one, with a further fine which may extend to five thousand rupees for every day during which the contravention or default continues.

*Sub-clause (5)* provides that in case a contravention or default has been committed by a credit information company or credit institution or specified user, as the case may be, every person who, at the time the contravention or default was committed, was in charge of, and was responsible to the credit information company or credit institution or specified user for the conduct of its business, shall be deemed to be guilty of the contravention or default and shall be liable to be proceeded against and punished accordingly:

However such person shall not be liable to any punishment provided in this proposed legislation if he proves that the contravention or default was committed without his knowledge or that he exercised all due diligence to prevent the contravention or default.

*Sub-clause (6)* provides that where a contravention or default has been committed by a credit information company or credit institution or specified user, as the case may be, and it is proved that the same was committed with the consent or connivance of, or is attributable to any gross negligence on the part of its chairperson, managing director, any other director, manager, secretary or other officer of the credit information company or the credit institution, such chairperson, managing director, any other director, manager, secretary or other officer shall also be deemed to be guilty of that contravention or default and shall be liable to be proceeded against and punished accordingly.

It is also proposed to define expressions "company" and "director" used in this clause.

*Clause 24.—* This clause contains provisions relating to cognizance of offences.

It provides that no court shall take cognizance of any offence except upon complaint in writing made by an officer of the credit information company generally or specially authorised in writing in this behalf by the credit information company or if so directed by the Reserve Bank, so to do, in case offence is committed by a member of a credit information company and punishable under sub-clause (4) of clause 23.

It further provides that where an offence is committed by a credit information company punishable under clause 23, no court shall take cognizance of any offence except upon complaint in writing made by an officer of the Reserve Bank generally or specially authorised in writing in this behalf by the Reserve Bank.

It also provides that no court other than that of a Metropolitan Magistrate or a Judicial Magistrate of the first class or any court superior thereto shall try any such offence.

*Clause 25.—* This clause confers power upon the Reserve Bank of India to impose penalty.

*Sub-clause (1)* provides for levy of penalty by the Reserve Bank. It specifies that a levy of penalty (a) not exceeding one lakh rupees, where the contravention is of the nature referred to in sub-clause (2) of clause 22, (b) a penalty not exceeding one crore, where the contravention is of the nature referred to in sub-clause (2) or sub-clause (3) of clause 23 and (c) where the contravention is of the nature referred to in sub-clause (4) of clause 23, penalty not exceeding one lakh rupees and where such contravention or default is continuing one, a further penalty which may extend to five thousand rupees for every day, after the first, during which the contravention or default continues.

*Sub-clause (2)* requires the Reserve Bank, for the purpose of adjudging the penalty under sub-clause (1), to serve notice on credit information company or credit institution or specified user, as the case may be, requiring it to show cause as to why the amount mentioned in the notice should not be imposed as penalty and also to give a reasonable opportunity of being heard to such credit information company or credit institution or specified user, as the case may be.

*Sub-clause (3)* prohibits filing of a complaint against credit information company or credit institution or specified user, as the case may be, in any court of law in respect of any contravention or default in respect whereof any penalty has been imposed by the Reserve Bank under this clause.

*Sub-clause (4)* requires that any penalty imposed by the Reserve Bank under this proposed legislation shall be payable within a period of fourteen days from the date on which notice issued by the Reserve Bank demanding payment of the sum is served on the credit information company or credit institution or specified user, as the case may be. In the event of failure of such credit information company or credit institution or specified user to pay the sum within such period, as may be levied on a direction made by the principal civil court having jurisdiction in the area where the registered office of credit information company or credit institution or specified user, being a company, is situated and in case of credit institution incorporated outside India where its principal place of business in India is situated. Such direction under this sub-clause shall be made only upon an application made in this behalf to the court by the Reserve Bank.

*Sub-clause (5)* provides that the court which makes a direction under sub-clause (4) shall issue a certificate mentioning therein the sum payable by a credit information company or credit institution or specified user as the case may be, and every such certificate shall be enforceable in the same manner as if it were a decree made by the court in a civil suit.

*Sub-clause (6)* provides that in case any complaint has been filed against credit information company or credit institution or specified user as the case may be, in any court

in respect of the contravention or default of the nature referred to in sub-clause (2) of clause 22 and sub-clause (2) or sub-clause (3) or sub-clause (4) of clause 23, then, no proceedings for the imposition of any penalty on the credit information company or credit institution or specified user shall be taken under this clause.

*Clause 26.*— This clause relates to application of fines. It provides that a court imposing any fine under the proposed legislation may direct that the whole or any part thereof shall be applied in or towards payment of the costs of the proceedings, or for such purposes as may be directed by the court.

*Clause 27.*— This clause relates to power of the Reserve Bank to specify maximum amount of fees.

It confers power upon the Reserve Bank to specify, by regulations, maximum amount of a fees leviable under sub-clause (3) of clause 14 for providing information to the specified users and for admissions of credit institutions or credit information companies as a member of a credit information company.

*Clause 28.*— This clause relates to disclosure of information before any court or tribunal or authority.

It provides that no chairperson, director, member, auditor, adviser, officer or other employee or agent employed in the business of credit information company or in the business of a specified user shall, except for the purposes of the proposed legislation or when required to do so, by any other law in force or court or tribunal or authority, disclose any information to any person.

*Clause 29.*— This clause relates to the obligations as to fidelity and secrecy.

*Sub-clause (1)* provides that every credit information company shall observe, except as otherwise required by law, the practices and usages customary among credit information companies and it shall not divulge any information relating to, or to the affairs of its, members or specified users.

*Sub-clause (2)* requires every chairperson, director, member, auditor, adviser, officer or other employee of a credit information company before entering upon his duties, to make a declaration of fidelity and secrecy in the form as may be prescribed in this regard. The terms "practices and usages customary" would mean such practices and usages which are generally followed by credit information companies or may develop in due course in relation to their functions, in pursuance of the proposed legislation and rules and regulations made and directions issued thereunder from time to time in pursuance thereof.

*Clause 30.*— This clause contains provisions for protection of action taken in good faith under the proposed legislation.

*Sub-clause (1)* provides that no suit or other legal proceedings or prosecution shall lie against the Reserve Bank or the Central Government or credit information company or credit institution, or their chairperson, director, member, auditor, adviser, officer or other employee or agent or any person authorised by the Reserve Bank or the Central Government or credit information company or credit institution to discharge any function under the proposed legislation, for any loss or damage caused or as is likely to be caused by anything which is in good faith done or intended to be done, in pursuance of proposed legislation or any other law for the time being in force.

*Sub-clause (2)* provides that provisions contained in sub-clause (1) shall not affect the right of any person to claim damages against a credit information company, a credit institution or their chairperson, director, member, auditor, adviser, officer or other employee or agents, as the case may be, in respect of loss caused to him on account of any such disclosure made by anyone of them and which is unauthorised or fraudulent or contrary to provisions of the proposed legislation or practices or usages customary among them.

*Clause 31.*— This clause relates to bar of jurisdiction of other court or authority.

It provides that no court or authority shall have, or be entitled to exercise, any jurisdiction, powers or authority (except the Supreme Court, and a High Court exercising jurisdiction under articles 32, 226 and 227 of the Constitution) in relation to the matters referred to in clauses 4, 5, 6, 7 and 18.

*Clause 32.*— This clause relates to power of Reserve Bank to exempt in certain cases.

It confers power upon the Reserve Bank to exempt the credit information company or credit institution in certain cases. It provides that the Central Government may, on the recommendation of the Reserve Bank, by notification in the Official Gazette, direct that any or all of the provisions of proposed legislation shall not apply to any credit information company or a credit institution, as the case may be either generally or for such period and subject to such exceptions or modification as may be mentioned in that notification. It also provides that a copy of every such notification proposed to be issued shall be laid in draft before each House of Parliament.

*Clause 33.*— This clause provides that the provisions of the proposed legislation shall be in addition to, and not, (except as provided under the proposed legislation), in derogation of, the provisions of the Companies Act, 1956 or any other law for the time being in force.

*Clause 34.*— This clause relates to amendment of certain enactments.

It proposes to amend the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949, the State Financial Corporation Act, 1951, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the State Agricultural Credit Corporations Act, 1968, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, the Export Import Bank of India Act, 1981, the National Bank for Agriculture and Rural Development Act, 1981, the Public Financial Institutions (Obligation as to Fidelity and Secrecy) Act, 1983, the National Housing Bank Act, 1987, and the Regional Rural Banks Act, 1976, *inter alia*, to provide that the provisions contained in the said Acts shall not apply to the information disclosed under the proposed legislation.

*Clause 35.*— This clause relates to removal of difficulties. It confers powers upon the Central Government which may, if any difficulty arises in giving effect to the provisions of this proposed legislation, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of the proposed legislation as appear to it to be necessary or expedient for removing the difficulty. However, no such order shall be made under this clause after the expiry of a period of two years from the commencement of the proposed legislation and every order made under this clause shall be laid, as soon as may be after it is made, before each House of Parliament.

*Clause 36.*— This clause relates to power to make rules.

It confers power upon the Central Government to make rules in respect of matters specified in the said clause. The rules made by the Central Government shall be published in the Official Gazette and be laid before each House of Parliament.

*Clause 37.*— This clause relates to power of Reserve Bank to make regulations.

It confers power upon the Reserve Bank of India to make regulations in respect of matters specified in the said clause. The regulations made by the Reserve Bank of India shall be published in the Official Gazette and be laid before each House of Parliament.

### MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 32 confers power upon the Reserve Bank of India to exempt the credit information company or a credit institutions in certain cases. It provides that the Central Government may, by notification, specify, on the recommendation of the Reserve Bank of India, that any or all of the provisions of proposed legislation shall not apply to any credit information company or a credit institution, as the case may be, either generally or for such period and subject to such exceptions or modification as may be mentioned in that notification. A copy of every notification proposed to be issued shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions. If, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be shall be issued only in such modified form as may be agreed upon by both the Houses.

Clause 36 of the Bill empowers the Central Government to make rules by notification to carry out the provisions of the Act. The matters in respect of which such rules may be made are specified therein. These matters relate, *inter alia*, to provide for the steps to be taken by every credit information company and specified user for ensuring accuracy, completeness of data and protection of data from any loss or unauthorised access or use or disclosure under section 19; the form in which a declaration of fidelity and secrecy shall be made under sub-section (2) of section 29 and any other matter which is required to be, or may be, prescribed.

2. Clause 37 of the Bill empowers the Reserve Bank to make regulations consistent with the provisions of this Act and the rules made thereunder to carry out the purposes of the Act. The matters in respect of which such regulations may be made are specified therein. These matters relate, to *inter alia*, the persons or institutions which may be specified as specified users under clause (l) of section 2 provide for the form in which application may be made under sub-section (1) of section 4 and the manner of filing such application under that sub-section; any other form of business in which a credit information company may engage under clause (e) of sub-section (1) of section 14; the form of notice for collection and furnishing of information under sub-sections (1) and (3); the principles and procedures relating to credit information which may be specified under clause (f) of section 20; procedure relating thereto and purposes for which credit information may be provided; the amount which could be required to be paid for obtaining copy of credit information under sub-section (2) of section 21 and the maximum amount of charges payable under section 27.

3. The rules made by the Central Government and regulations made by the Reserve Bank of India shall be laid, as soon as may be after they are made, before each House of Parliament.

4. The matters in respect of which rules and regulations may be made are generally matters of procedure and administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power involved is of a normal character.

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YOGENDRA NARAIN,  
Secretary-General.